بسم الله الرحمن الرحيم

Yarmouk University

Faculty of Economics and Managerial Science

Department of Accounting

Master's Thesis entitled

Voluntary Disclosure and Corporate Governance for Banks Listed in Amman Stock Exchange

الإفصاح الاختياري وحوكمة الشركات بالتطبيق على البنوك المدرجة في بورصة عمان

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الفصل الدراسي الأول

2013-2012

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إعداد

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قدمت هذه الرسالة إستكمالا لمتطلبات الحصول على درجة الماجستير في تخصص المحاسبة في جامعة اليرموك، إربد، الأردن.

وافق عليها

		التوقيع
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رئيس قسم المحاسبة، جامعة اليرموك		
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قسم المحاسبة، جامعة العلوم التطبيقية		

تاريخ المناقشة

06 صفر 1434 هـ

2012/12/19م

Attributes

This Accomplishment is attributed to:

My Lovely Home Jordan

To All My Teachers Who Always HaveSomething to Teach Me

To Both My parents who never StoppedGiving

Khaldoon Haddad

ان العلم يرفع الانسان
للفهم لاعلى درجات عالية
والنفس تطمئن به دوماُ
والعين تنام وتصبح راضية
كم من عليم وصل العلى
وذي الجهل يهبط للقعر للهاوية
أمي وابي وعائلتي اشكر
لهم جهدهم معي وذكراهم ستيقى باقية

(قصيدة من تأليف امي الغالية)

اقدم و اهدي هذة الرسالة الى امس وابي االذان سهرا معي لامجز هذا العمل.

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Abstract

Al-Haddad, Khaldoon. Voluntary Disclosure and Corporate Governance for Banks Listed in Amman Stock Exchange
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(Supervisor: Prof. Mishiel Said Suwaidan)

This study aimed to identify the level of voluntary disclosure and the corporate governance attributes that would affect the level of voluntary disclosure in the annual financial reports of Jordanian banks listed in the Amman Stock Exchange for the years 2007-2010. The corporate governance attributes include the board of directors' size, the independence of the board, the separation between the position of chairman of the board of directors and CEO, the audit firm,the profitability of the companyand the concentration of the company's capital. Other attributes examined include: the size of the firm, the company's financial leverage and the number of branches.To measure voluntary disclosure, a disclosure index including 80 itemswas applied to the annual reports of (15) Jordanian banks listed in the ASE for the years 2007-2010. To examine the impact of independent variables on the behavior of the dependent variable, a multiple regression model was employed. The resultsof the study showthat, on average a bank disclosed 59.52% of the items included in the voluntary disclosure index. In addition, the results indicated that there was no relationship between voluntary disclosure and corporate governance which was measured by the above six mentioned variables. Also the results show that there were significant positive relationships between the level of voluntary disclosure and the size of the company, financial leverage and the number of branches.

Based on the above results, banks should Increase the transparency of the Jordanian market through the enforcing more restrictions on corporate governance. The banks should adherence to corporate governance guides issued by the Central Bank of Jordan and Security Exchange Commission regarding disclosing information.

Keywords: Corporate Governance, Voluntary Disclosure, Banks.

Chapter 1

General Framework

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- *The Problem Statement*
- *The Study's Objectives*
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- Chapter 1

General Framework

Introduction

All financial reports announced at the end of the physical year are considered to be the main source of information for many stakeholders (stockholders, investors, creditors, suppliers, customers, financial analysts and different governmental agencies). Each of them needs information available in a company's reports in order to make economic decisions. But the fact remains, the recent scandals and financial collapses of big companies in most countries have led to the loss of confidence in the financial markets. This has also led many to take unsuitable decisions based on misleading data disclosed by the companies. An important reason behind this was the decrease in the level of disclosure of information in the financial reports.

Examples of companies which were hit by recent scandals and financial collapses include: Enron, WorldCom Company for communications and Zerox Company for Textile machinery in the United States of America, in addition to Parmalat Company in Italy, in 2003and the collapsing of many banks like Lehman Brothers in 2008 in the United States of America. The entire search for the causes of such collapses point out to a major malfunction in the work ethics and practices in the audit profession (Al-Qashi and Al-Khateeb, 2006). Another reason is the absence of control mechanisms and procedures in the companies which effects the accomplishment of the set objectives in addition to the lack of skills and experience.

Corporate governance is the mechanism used by markets to protect investors' rights and to enhance confidence of investors through the disclosure of information by the company. Well-functioning corporate governance ensures the conformance of companies to laws, rules and practices, which provide mechanisms to monitor the behavior of directors and managers through corporate accountability which, if applied correctly, safeguards the interest of investors. This include the right to secure ownership, full disclosures, voting rights, participation in all activities, in general shareholder meeting, to be informed on fundamental corporate changes to have access and to efficiency and transparency in markets for corporate control (Islam *et al.,* 2010).

The Problem Statement:

Despite the fact that the concept of corporate governance is traced back to the early nineteenth century, however, it is still a vague concept that has attracted the interests of many researchers. There is no definitive unified definition for this concept, some project it from economic perspective as a mechanism which helps the company acquire funds, and others look at it from a legal perspective which points to the contractual relationship to be complete or incomplete (Fawzy ,2003). Therefore this study focuses on determining the level of voluntary disclosure in the Jordanian banks listed in Amman stock exchange for the years 2007-2010 and the corporate governance attributes that affect the level of voluntary disclosure. Accordingly the problem statement is summarized as follows:-

1- How much the Jordanian banks listed in the Amman Stock Exchange (ASE) voluntarily disclose information in their annual reports?

2- Is there a relationship between the level of voluntary disclosure and corporate governance mechanisms (among other variables) of the Jordanian bank listed in the ASE? These mechanisms include:

a- The board of directors' size.

b- The independence of the board.

c- The size of the auditing firm.

d- The duality of the position of chairman of the board of directors and CEO.

The Study's Objectives

The objectives of this study are:

1- To determine the extent of voluntary disclosure in the annual reports of the Jordanian banks listed in the ASE during the period 2007-2010.

2- To determine the relationships between the level of voluntary disclosure and corporate governance mechanisms (among other variables) of the Jordanian banks listed in ASE. These mechanisms include:

   a- The board of directors' size.

   b- The independence of the board.

   c- The size of the auditing firm.

   d- The separation between the position of chairman of the board of directors and CEO.

The importance of the study

Corporate governance gained an enormous impertinence for the democracies emerged under weak legal systems. Those systems which cannot pursue any breach of contract or resolve any disputes in an effective matter made the quality of information weak and poor which in return made control and supervision harder and less effective. This helped the spreading of corruption and mistrust. The strict adherence to the principles of corporate governance would lead to create reserves against corruption and mismanagement, and the encouragement of transparency in the economy and reduce the bureaucratic resistance toward reformation (Al-Sheratti, 2010).

There are many studies conducted about disclosure and corporate governance in the developed countries that cannot be generalized to the other countries. Therefore, this study empirically examine the relationship between corporate governance and voluntary disclosure based on Jordanian banks data may help them have an insight over the areas that needs improving in terms of disclosure and corporate governance which consequently reduce risk. The study is also expected to provide investors on the adequacy of information disclosed voluntarily by Jordanian banks in their annual reports.

Hypotheses of the Study

To accomplish the objectives of the study in light of the literature review and related studies the following hypotheses will be tested:

H1: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the size of the board of directors.

H2: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the independence (non-executive) of the board of directors.

H3: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the separation between the position of Chairman of the board of directors and CEO.

H4: There is a significant effect of audit firm on the level of voluntary disclosure in the annual reports of Jordanian banks.

H5: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and financial leverage.

H6: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the profitability of the bank.

H7: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the size of the bank.

H8: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the bank's number of branches.

H9: There is a significant relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the concentration of the bank's capital ownership.

The Study Plan

This study contains six chapters:

- The first chapter contains a general framework of the study.
- The second chapter contains the theoretical framework of the study which includes the definitions, objectives, importance and dimensions of corporate governance. It also mentions who benefits from corporate governance and its principals in addition to corporate governance and disclosure in Jordan.
- The third chapter reviews the previous studies related to the study and they are summarized in a schedule.
- The fourth chapter contains the methodology used to reach the study's objectives, in which the society and the sample of the study are defined and the sources of the data collection are determined in addition to the variables used in the model and the statistical methods used in the analysis.
- Chapter five shows the results of the analyses and hypotheses testing.
- Chapter six shows the conclusions and recommendations of the study.

Chapter 2

Theoretical Framework

- *Introduction*
- *The Concept of Corporate Governance*
- *Corporate Governance Objectives*
- *Corporate Governance Importance*
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- *Incentives for voluntary disclosure:*
- *Corporate Governance and Disclosure*
- *Corporate Governance and Banks*
- *Corporate Governance in Jordan*

Chapter 2

Theoretical Framework

Introduction:

Governance is an issue which came to force recently as a direct consequence of financial crisis. Corporate governance can be considered as an environment of trust, ethics, morals values and confidence – as a synergic effort of all the constituents of society – that is stakeholders, including government; the general public and so on; professional/service providers – and the corporate sector (Aras and Crowther, 2010).

Recent examples of massive corporate collapses resulting from weak systems of corporate governance have highlighted the need to improve and reform corporate governance at an international level. After Enron and other similar cases, countries around the world have reacted quickly by pre-empting similar events domestically. As a speedy response to these corporate failures, the USA issued the Sarbanes-Oxley act in July 2002, whereas in January 2003 the Higgs report and the Smith report were published in the UK, again in response to recent corporate governance failures (Solomon and Solomon, 2004).

The Concept of Corporate Governance

Corporate governance concept is considered, according to Solomon and Solomon (2004), as a central and dynamic aspect of business. The term 'governance' derives from the Latin *gubernare*, meaning 'to steer', usually applying to the steering of a ship, which implies that corporate governance involves the function of direction rather than control.

There are a number of definitions of corporate governance, each of them adopt a different view of the subject. For instance, Parkinson (1994)

defines corporate governance as “the process of supervision and control intended to ensure that the company's management acts in accordance with the interests of shareholders’’. Tricker (1984) elaborated on the governance role as it is not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interest beyond the corporate boundaries and others.

Through the previous definitions and other readings, the concept of corporate governance can be crystallized around several fundamental points:

1- Several dimensions were included in the definition; whether legal or economic or social or ethical dimensions.
2- Several processers and structures used to manage and control the company and direct its operations to ensure the realization of all stakeholders interests like the investors and managers.
3- Organizing the relationships and practices between different kinds of relations related to the company.
4- Achieving the objective of the companies and maximize their values through the effective and efficient use of the available resources.

Corporate Governance Objectives:

According to Darweesh (2007) many researchers discussed the objectives of corporate governance, he maintained the following points.

1- Separating ownership, management and performance control.

2- Improving the economic efficiency for the companies.
3- Revising and adjusting the roles governing company's performance to shift the responsibility of censorship to both parties: the board of directors and the investors.
4- Not mixing the duties and responsibilities of the CEO's and the duties of the board of directors and its members.
5- Evaluating the top management performance and increasing the level of trust.
6- Enabling the company to get funding from local and foreign investors.
7- Preventing accounting and financial problems to support the stability of the companies' activity operating in the economy and the future collapses in the banking system or the local and foreign capital markets.

Others see that corporate governance strives to achieve the following (Al-Sheratti, 2010):

1- Justice, transparency and honest treatment for all stakeholders.
2- The protection of the shareholders' rights whether minority or majority to maximize their returns.
3- Preventing authority abuse from achieving any illegitimate gains and trading with the company's, shareholders and stakeholders interest.
4- Encouraging money flow and to attract investments.

Corporate Governance Importance:

Corporate governance has become an important issue in the last decade as a result of the economic crisis and the incidence of corporate failures.

Many literatures have discussed the importance of corporate governance and they strive to maintain the following points:

1- Corporate governance became important because the classic model of meeting shareholder expectations delivered declining relative results (Davies, 2006).
2- Corporate governance infused the democratic values of fairness, accountability, responsibility, and transparency into corporations (Center for International Private Enterprise, 2008).
3- Corporate governance maintained the integrity of business transactions and in so doing strengthens the rule of law and democratic governance (CIPE, 2008).
4- Ensuring the responsibilities of the management and to confirm its accountability and improve the financial and managerial accounting practices and emphasize on transparency, all of that will help to uncover financial fraud, manipulations and managerial corruption, and take procedures to deal with the causes and effects of them before they can affect the life of the company (Darweesh, 2007).
5- Ensuring the survival and sustainable success of the organization to be governed. (Davies, 2006)

Who Benefits from Corporate Governance?

A well-run corporation generates value for investors and lenders as well as for its employees, customers, and society as a whole. Good corporate governance contributes to a healthy business climate that encourages domestic and foreign investment, in turn creating jobs and increasing the welfare of a country's citizens (CIPE, 2008).

Companies

Well-governed companies perform better. Companies that institute good governance practices expect to lower their cost of capital and can attract a wider range of investors, many with a longer-term view of investments. Their management can be expected to improve in areas such as setting company strategy, ensuring that mergers and acquisitions are undertaken for sound business reasons, and matching compensation systems to performance (CIPE, 2008).

Investors/Shareholders

Investors recognize the potential for higher returns from well-run companies and are willing to pay a premium for these returns. They also value the certainty that they will not lose their investment due to greedy, careless, and unaccountable managers or cronies. Good governance protects the rights of investors, especially minority investors, including their rights to have a say in company management and major transactions and the right to be informed about their investment. By building efficiency and trust in capital markets, it provides investors with greater liquidity, so they can diversify and sell their assets when they need to. Finally, procedures for dealing with business failures protect creditors and limit the liability of shareholders (CIPE, 2008).

Stakeholders and Society

Good governance calls upon companies to respect their obligations to employees, customers, creditors, suppliers, and communities. These groups benefit from honesty, quality, and reliability in their dealings with companies. Society as a whole reaps the benefits of well-run corporations

as they create jobs, build confidence in the economy, and prevent waste (CIPE, 2008).

Principles of Corporate Governance:

There are many organizations that discussed the principles of corporate governance; among them is the Organization for Economic Co-Operation and Development (OECD) and Jordan Securities Commission in Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange.

There are six principles for Corporate Governance set by the Organization for Economic Co-Operation and Development (OECD) aimed to improve the legal and institutional framework which control companies, these principles represent guidelines and they are not mandatory but they mark the general framework that protects the stakeholders interests in the firm and help companies and countries to set the right bases for Corporate governance, those six principles are (OECD, 2004):-

1- Ensuring the basis for an effective corporate governance framework principle which promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

2- The rights of shareholders and key ownership functions principle which protect and facilitate the exercise of shareholders' rights.

3- The equitable treatment of shareholders principle which ensure the equitable treatment of all shareholders, including minority and foreign shareholders.

4- The role of stakeholders in corporate governance principle which recognize the rights of stakeholders established by law or through mutual

agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

5- disclosure and transparency principle which ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

6- The responsibilities of the board principle emphasize on the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Another organization that wrote a code on a national level is the Jordan Security Commission; Corporate Governance Code was prepared in line with the Jordan Securities Commission (JSC)'s efforts to develop the national capital market and its regulatory and organizational framework. It contains rules of corporate governance for shareholding companies listed at Amman Stock Exchange (ASE) for the purpose of establishing a clear framework that regulates their relations and management and defines their rights, duties and responsibilities in order to realize their objectives and safeguard the rights of all stakeholders. These rules are based principally on a number of legislations, mainly the Securities Law and related regulations, the Companies Law, and the international principles established by the Organization of Economic Cooperation and Development (OECD) (Corporate Governance Code by ASE, 2007).

The Dimensions of Corporate Governance

There are a number of models of corporate governance, but according to Davies (2006) there are eight key dimensions of Corporate Governance:

- The identity of the organization
- The purpose of the organization
- Leadership
- The distribution of power within the organization
- Inclusiveness and communication
- The pattern of accountability required
- The maximization of effectiveness
- Ensuring sustainability.

The Nature and Levels of Disclosure

In literature, 'disclosure' is defined as informing the public by financial statements of the firm. Disclosure comprises the last stage of accounting process; data regarding the financial activities collected by the accounting department is firstly processed and then summarized in a way in which it represents the financial situation and results of financial activities to be shared with the related parties. The disclosure of information within the identified minimum limits is called as 'mandatory disclosure' and any disclosure of information which exceeds these limits in terms of content or amount as decided by the management of the firm is called as voluntary disclosure (Agca and Onder, 2007).

There are many classifications according to levels of disclosure (Abed, 2003):

- Adequate Disclosure is determining the minimum information which must be disclosed in the financial statements.
- Full Disclosure is about the comprehensiveness of the financial statements regarding any vital information.

- Relevant Disclosure achieved by the entire financial information user receiving the same amount of information.

Or we can classify disclosure by the content:

- Compulsory disclosure: is disclosing information required by laws, regulations and SEC's disclosure requirements.
- Voluntary Disclosure is the additional information provided over compulsory information disclosed by the companies.

Incentives for Voluntary Disclosure

Healy and Palepu (2001) who provided a comprehensive review of the voluntary disclosure literature, they noted that research into voluntary disclosure decisions tends to focus on the information role of reporting for capital market participants. They identify five forces that have been found to be related to managers' decisions to voluntarily disclose information for capital market reasons (Collett and Hraskz, (2005):

1- The capital market transactions hypothesis: Firms have incentives to make voluntary disclosures in order to reduce information asymmetry and therefore reduce the cost of external financing through reduced information risk.

2- The corporate control contest hypothesis: when corporate performance is poor, managers use voluntary disclosures in an attempt to increase firm valuation and to explain the poor performance, therefore reducing the risk of management job losses.

3- The stock compensation hypothesis: managers who are rewarded with stock compensation have an incentive to use voluntary disclosures to reduce the likelihood of insider trading allegations, and firms have incentives to increase disclosures to reduce contracting costs with managers who receive stock compensation.

4- The litigation cost hypothesis: managers have an incentive to disclose bad news to avoid legal actions for inadequate disclosure, but have an incentive to decrease disclosures of forecasts that might prove to be inaccurate.

5- The proprietary costs hypothesis: voluntary disclosures will be constrained if managers perceive that disclosure could be competitively harmful.

Corporate Governance and Disclosure

Disclosure and Transparency are considered important and basic in corporate governance due to the significance of the information in decision making and performance evaluation for the companies. Corporate governance is considered to be the frame which encourages disclosure and transparency since they are one of the most important principles set by the (OECD) which means corporate governance and disclosure are related and connected.

In recent years there has been an increase in attention regarding voluntarily disclosed information and governance due to their importance in improving the company and increasing the trust of the investors in it. Also the disclosed information can help taking the right course of action and making the financial statements used to evaluate companies in a better way and focusing the investors' available opportunities.

Corporate Governance and Banks

In September 1999, Basel Committee on Banking Supervision released its paper on "Enhancing Corporate Governance for Banking Organizations'.' For the BCBS committee, the concept of corporate governance in general involves the set of relationships that exist between a bank's management,

its board of directors, its shareholders and the other stakeholders. It provides the framework that establishes the strategic objectives of the organization therefore for the Committee set corporate governance with the following seven practices (Bank for International Settlements, 1999):

1- Establishment of strategic objectives and a set of corporate values to be communicated throughout the banking industry.

2- Definition and enforcement of clear lines of responsibility and accountability throughout each bank and banking organization as a whole.

3- assurance that board members are qualified for their positions, have a clear understanding of their role in corporate governance, and are not subject to undue influence from management or outside concerns;

4- Assurance that there is appropriate oversight by senior management;

5- Effective utilization of the work undertaken by internal and external auditors in recognition of the important control function they exercise;

6- Assurance that compensation approaches are consistent with the banks ethical values, objectives, strategy and system of control;

7- Conduct of corporate governance in a transparent manner.

Corporate Governance in Jordan

The Jordanian companies have realized the importance of corporate governance, which is reflected in the increase in the percentage of companies that applies corporate governance from 5% in 2007 to 25% in 2009 according to the second convention " Corporate Governance and Social Responsibility for Companies in The Middle East and North Africa" held in Amman in 2009 (Petra.Gov.jo, 2010). Therefore the corporate governance practices had to be regulated by law and so many

Jordanian authorities issues regulation about the practices of corporate governance:

- Corporate Law Code No. (22) Issued in 1997 and its amendments: has dealt with several aspects of Corporate Governance, for instance: Article (98) has addressed shareholders and the number of stocks held by each of them. And articles no. (132, 133, 134, 137, and 138) addressed Board of Directors regarding: the nomination of the members, the mechanisms of election, the number of members and their responsibilities and finally the ownership they have in the company's capital. Also Article no. (140, 141, 142, 142, 143, 146, 147, 152, 153 and 155) addressed the subject of The Board of Directors' duties, wages, privileges, terms and conditions for membership and meetings, also the Chairman of the Board and CEO's authority and responsibilities, and finally Article no. (192 and 193) regarding Auditing.
- Securities Code No. (76) Issued in 2002: the goal of this code is to protect the investors, organize the capital market and to enforce disclosure and transparence
- The Banks Code No.(28) Issued (2000): this particular code has addressed several issued of Governance in Banks, for instance: Article No.(15) emphasizes the importance to keep a record of the names of the Shareholders and the number of stocks owned by each of them by the bank in addition to the ledger of Board of Directors, General Assembly and the Audit committee meetings. And the code discussed in Article (21, 22, 25 and 26) the responsibilities of the Board of Directors and terms and condition of its membership in addition to the duties of the CEO and qualifications, whereas Article (32 and 33) dealt with the formation of audit committee, its duties and the meetings. As for Article (61), it addressed the issue of external auditors and their duties.

- Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange (2007): This Code contains rules of corporate governance for shareholding companies listed at Amman Stock Exchange (ASE) for the purpose of establishing a clear framework that regulates their relations and management and defines their rights, duties and responsibilities in order to realize their objectives and safeguard the rights of all stakeholders, the Code has Five Chapters:

- Chapter 1 dealt with definitions related to Corporate Governance like Cumulative voting, Insider at the Company and Non-Executive Board Member Related Party Transactions.
- Chapter 2 spoke about The Board of Directors of the Shareholding Company where it discussed Board of Directors Tasks and Responsibilities, Committees Formed by the Board of Directors and Meetings of the Board of Directors.
- The third Chapter talks about General Assembly Meetings where it explained way to hold the meeting and its schedule.
- Chapter 4 shows Shareholders Rights regarding both The General Rights and The Rights within the Jurisdiction of the General Assembly.
- Chapter 5 examines the Disclosure and transparency and The Audit Committee, Duties of the Audit Committee Powers of the Audit Committee and finally The External Auditor.

Chapter 3

Previous Studies

- *A preview of the previous studies*

- *What distinguish this study from others?*

- *Summery schedule of the previous studies*

Chapter 3
Previous studies

There is a great deal of research conducted about corporate governance and disclosure in the developed counties, Arab countries and all over the world. The following is a preview of some of these studies classified into two categories: studies in English and studies in Arabic.

Studies in English:

Conway Study (2012) "Guidelines for Corporate Governance Disclosure – are Australian Listed Companies Conforming?''

This study explores the disclosure of corporate governance practices on company websites by Australian listed companies. The study applied content analysis to the websites of fifty Australian companies utilizing a corporate governance disclosure index. The level of conformance with the Australian Stock Exchange recommendations for disclosure on websites was then compared to the level of adoption of Australian Stock Exchange corporate governance recommendations for annual reports. The reported adoption level for annual reports was higher than the disclosure level for company websites indicating that not all corporate governance practices are being disclosed on company websites. The interest of powerful stakeholders such as regulatory agencies may influence the level of conformance on company websites however the results are not conclusive.

Al-Shammari and Al-Sultan Study (2010): "Corporate Governance and Voluntary Disclosure in Kuwait":-

The goal of this study was to identify the relationship between corporate governance and voluntary disclosure in the annual financial reports of

(170) Kuwaiti companies in 2007. The researchers used regression analysis to examine the relationship between a number of factors and the voluntary disclosure in the annual reports. The results shows that the average of voluntary disclosure in the sample was %19 indicating that there was an improvement in comparison with previous studies, and there was a positive relationship backed by statistical evidence between the audit committee and voluntary disclosure. The study recommended the increase in the level of transparency in the Kuwaiti market through the increase in the corporate governance restrictions.

Khodadadi Study (2010) "The Effect of Corporate Governance Structure on the Extent of Voluntary Disclosure in Iran":

This study examined the relationship between corporate governance and the extent of voluntary disclosure in listed firms of Tehran Stock Exchange. The corporate governance attributes are the percentage of independent directors on the board, the existence of dominant personalities (CEO/Chairman duality) and the percentage of institutional investors. The research sample was selected from companies listed in Tehran Stock Exchange during 2001-2005 and totally is consist of 106 observations. In this research, the size and the type of audit institute (Audit organization or other institutes) are used as control variables.

The results of the study showed that there is no significant relationship between percentage of independent directors on the board, CEO/Chairman duality and the extent of voluntary disclosure. Also the research results provided significant evidence on relationship between the percentage of institutional investors and the extent of voluntary disclosure.

Islam *et al,* (2010) "Corporate Governance and Voluntary Information Disclosure: A Study of Listed Financial Companies in Bangladesh"

The main objective of the study was to examine the actual practices of corporate governance in the listed financial public limited companies. The study utilizes an index that contains 30 disclosure items. Multiple regression results showed that corporate governance disclosure index is significantly influenced (at 10 percent level of significance) by size, EPS, and the size of the board. Age and Stock Allotment are not found to have any significant impact on corporate governance disclosure.

Akhtaruddin, *et. al.,* Study (2009)" Corporate Governance and Voluntary Disclosure in Corporate Annual Reports of Malaysian Listed Firms"

This study investigated the extent of corporate governance and voluntary disclosure by listed firms in Malaysia. The study uses Board size, proportion of independent non-executive directors on board, outside share ownership, family own, and percentage of audit committee members to total members on the board as the governance factors. The study utilizes a voluntary disclosure index that contain 74 items applies on 105 Malaysian firms. The results suggested a positive association between voluntary disclosures and both Board size and proportion of independent non-executive directors and voluntary information and the extent of voluntary disclosure are negatively related to family control, and the ratio of audit committee members to total members on the board is not related to voluntary disclosures.

Sharma and Singh (2009) "Voluntary Corporate Governance Disclosure: A Study of Selected Companies in India"

This paper studies the voluntary corporate governance disclosure in the Indian companies. The study used a voluntary corporate governance disclosure index which contains 40 items applied on the annual report of the study. A sample of 50 companies has been taken from four industries, viz., software, textiles, sugar and paper. The result showed that the companies are following less than 50% of the items of disclosure index. Moreover, there is no significant difference among the disclosure scores of these four industries.

Barako *et al's,* Study (2006) "Relationship between Corporate Governance Attributes and Voluntary Disclosures in Annual Reports: The Kenyan Experience"

This study examined the association of corporate governance practices with the voluntary disclosures of selected information in the annual reports of Kenyan companies. A sample of 54 Kenyan firms was undertaken. The study used pooled Ordinary Least Square with Panel-Corrected Standard Errors. The results indicated that the presence of an audit committee is a significant factor associated with the level of voluntary disclosure, and the proportion of non-executive directors on the board is found to be significantly negatively associated with the extent of voluntary disclosure. In contrast, board leadership structure did not appear to have a significant influence on the level of voluntary disclosure by companies.

Sayogo (2006) "The Determinants of Corporate Governance Disclosure through Internet for Companies Listing In Jakarta Stock Exchange"

This research aims to examine the determinants of corporate governance disclosure published through Internet. Sample used in this research are companies listing in Jakarta Stock Exchange and are categorized into Liquid 45 (LQ-45) companies on the first semester of 2004.

Statistical analysis conducted through the use of multiple regression. Statistical analysis result on company's size peroxide by total assets and stock price, profitability, independent board composition, industry classification, duality on internal position, and stock distribution shows a distinctive result. There is a relationship between company size, profitability and independent board composition. However, all companies have similar possibility to disclose information through Internet.

Collett and Hraskz (2005) "Voluntary Disclosure of Corporate Governance Practices by Listed Australian Companies"

This study examined the relationship between the voluntary disclosure of information about corporate governance practices and the intention to raise external finance. This relationship is examined by using corporate governance disclosures in the annual reports of Australian companies in 1994. Data from this year are used because in subsequent years Australian Stock Exchange regulations influenced listed companies to make disclosures about their corporate governance practices. Regression analysis indicates that the voluntary disclosure of corporate governance information is positively associated with the intention to raise equity capital, but not with the intention to raise debt capital.

Bujaki and Mcconomy (2002) Corporate Governance "Factors Influencing Voluntary Disclosure by Publicly Traded Canadian Firms"

The study reported on the comprehensiveness of voluntary corporate governance disclosures in the annual reports and management information circulars of Toronto Stock Exchange (TSE) firms. it focuses on disclosure of the corporate governance practices implemented by our sample of TSE 300 firms, The study analysis indicates that only a very few firms disclose that they have fully implemented the TSE guidelines, and that the extent of disclosure of corporate governance practices implemented varies widely among the firms. The study then tests factors associated with the comprehensiveness of such disclosures and the choice of disclosure medium using simultaneous equations multivariate analysis. It also assesses the influence of publicized corporate governance failures on disclosure. Overall, the results suggest that the choices of disclosure medium and the extent of disclosure are made concurrently, and are influenced by the strategic considerations of management.

Studies in Arabic:

Cherrati Study (2010) "Disclosure about Corporate Governance in the Annual Financial Reports and Its Limitations"

The main objective of this study was to empirically examine the level of Disclosure practices of Corporate Governance made in the annual reports. In addition, this study examined the impact of a number of factors (Size of audited company, Audit committee, Size of board of Directors, Number of non-executive Board of Directors, separation between chairman of Board of Directors and CEO, Complexity of firm's Operations, Size of firm, Gearing, profitability, ownership concentration and the Institutional Shareholders) on this level of Disclosure of corporate

governance. The study was applied to 64 Jordanian industrial companies listed in Amman stock exchange for the year 2008. To achieve the objectives of the study, a disclosure index of 37 items of corporate governance was designed and used. This index was classified into two categories which are compulsory and voluntary. In addition, multiple regression analysis was conducted.

The results of regression analysis after using an analytical approach indicated that the compulsory disclosure is high and similar between companies. The results indicate that there is no variation between companies in the compulsory disclosure of corporate governance. Also it was found that level of voluntary disclosure is low, and there is a great deal of variation between companies. Also there was a positive and significant relationship between the level of voluntary disclosure and audit committee and separation between chairman of board of directors and CEO. Also the study found a negative and significant relationship between the level of voluntary disclosure and the number of non-executive directors in the board of directors.

Al-Aidi (2010) "The Impact of Corporate Governance Effectiveness on Financial Performance of Listed Companies on Amman Stock Exchange"

This study aimed at studying the impact of the corporate governance effectiveness on financial performance of listed companies on Amman Stock Exchange. In order to achieve this objective a survey questionnaire has been developed in compliance to the indicator of corporate governance and distributed to 160 financial managers and accountants of a random sample from the population. 138 questionnaires were returned

and used by the study. Means and standard deviation were used in analyzing date.

Multiple regression was used to determine the impact of the independent variables that represents the corporate governance effectiveness on the dependant variable which in turn represents the financial performance by return on investment. The study reached to an important result which was the existence of positive relationship between the corporate governance effectiveness and return on investment. So this added to what has already been known about the corporate governance effectiveness which has real impact on the company's financial performance. Finally the study recommended that it is necessary for the companies to relay on the corporate governance indicator.

Al-Ghassawie (2010) "Corporate Governance and Its Effect On The Level Of Disclosure About The Accounting Information (A Field Study Conducted On The Publicly Owned Companies In KSA)"

The study's goal was to identify corporate governance and its affect over the level of disclosure about accounting information, the researcher used descriptive statistics and multiple regression models to analyze the indicators for disclosure for (89) publicly owned company in KSA. The study showed that there are different levels of disclosure in the financial reports for the publicly owned companies in KSA and the highest level of disclosure in the financial reports is in the financial statements of the cement sector and the least level of disclosure are in the hotels and tourism sector, and there is a positive relationship between the ownership concentration, the size of the company and the level of disclosure in the financial reports, and the study showed that there are no negative

relationship between the independency of the board of directors and the level of disclosure.

The researcher recommended increasing the role of Regulatory Authority for the overseeing parties over the publicly owned companies forcing these companies to apply the principles of corporate governance and increase the awareness regarding the revising committee and its importance in the publicly owned companies.

Al-Hassan (2009): "the Voluntary Disclosure for the Jordanian Companies Listed in Amman Stock Exchange"

The goal of this study was to identify corporate governance in the financial reports of Jordanian companies in Amman stock exchange and showing the effects of the factors over voluntary disclosure in those companies, the researcher has adapted an analytical and descriptive approach for the study's population consisting of all (272) companies listed in Amman stock exchange in primary and secondary market except for the banks and insurance sectors where a sample of 25 from overall 67 company listed in the primary and the secondary markets were taken randomly .

The results of this study showed that the level of voluntary disclosure is %36.64 and there is a positive relationship between the level of voluntary disclosure and the company's size, the auditor's company's size the financial leverage and ownership structure, and the study also showed that there is no statistically significant differences among the disclosures within the primary and the secondary market companies. This study recommended the involvement parties to disclose more voluntary information and future related information.

Abu Al-Hammam (2009) "The Effect Of Applying The Rules Of Governance Over the Accounting Disclosure And The Quality Of The Financial Reports (A Field Study Over The Companies Listed In The Palestinian Financial Market)"

The goal of this study is to identify the effect of applying governance over accounting disclosure and the quality of the financial reports. The researcher has used a descriptive and analytical approach though the collection of data form primary and secondary sources using a questioner specifically designed for this purpose, and is has been distributed to cover all the population which contain (150) board of directors and CEO in the companies listed in Palestinian financial market working in palatine, and the program (SPSS) was used to analyze the data and test the hypothesis, the study reached several conclusions; the application of the rules of governance has reinforced the role of accounting disclosure and quality of the financial reports, and the progress in the governance culture has been reflected mainly on the position of the companies and their continuity to reach their goals and objectives. The study has also clarified the importance of providing the necessary requirements to ensure the execution of governance through establishing a managerial and professional organization based on the credibility of the board of director and CEOs. The recommendations of the study are the importance of complying with the rules and regulations issued by the Organization for Economic Co-operation and Development through conducting the necessary training courses and continue improving the right applications for governance basis, and the importance of forming specialized committee for this particular purpose to monitor its progress and to spread vastly the concept and the culture of governance allover the related links, and to issue reports and instructions that would reflect that

and to make a commitment to the rules and principles in the financial community.

Mariq (2009) "An Assessment of Voluntary Disclosure in the Annual Reports of Saudi Joint Stock Companies"

This study aims to measure the quantity and the quality of voluntary disclosure in the annual financial reports for 52 Saudi companies for the year 2005. The index contains 60 items of voluntary disclosure.

The study used inductive approach in the analysis of the size and the quality of voluntary disclosure in the Saudi companies. The study results show that despite the heavy level of variation of the size and the voluntary disclosure between the sample companies, but there is a certain level of interest about voluntary disclosure. The analysis reviles that there are a desire by the company to voluntarily disclose information.

What Distinguishes this Study from the Others?

This study utilized an index of voluntary disclosure different from any other study conducted in Jordan. This index contains 80 items which is hoped to give the reader an insight over the voluntary disclosure practices of Jordanian banks and the corporate governance attributes that would affect the disclosure. The study relied on the most recent available information, thus, it takes into consideration a number of recent legislation which addressed corporate governance in the country, and in effect, increased the awareness of banks and stakeholders to the importance of transparency and disclosure.

Table (1) summarizes the previous studies:

Table (3-1)

Summary of the Previous Studies

The name of researcher and year	The Study's Title	The study's objectives	The Methodology of the Study	Most Important results
Conway Study (2012)	Guidelines for Corporate Governance Disclosure – are Australian listed companies conforming	Exploring the disclosure of corporate governance practices on company websites by Australian listed companies.	Content analysis was applied to the websites of fifty Australian companies utilizing a corporate governance disclosure index.	- The level of disclosure on company websites did not match the level of adoption of recommendations. - all corporate governance practices are being disclosed on company websites. - The interest of powerful stakeholders such as regulatory Agencies may influence the level of conformance on company websites. -
Al-Shammari & Al-Sultan Study (2010)	Corporate governance and voluntary disclosure in Kuwait	identifying the relationship between corporate governance and voluntary disclosure in the	The researcher used regression analysis to see the relationship between the factors and the	- The average of voluntary disclosure in the sample was %19 - There is an improvement considering

		annual financial reports of the (170) Kuwaiti companies in 2007	voluntary disclosure in the annual reports.	previous studies. -There in a positive relationship backed by statistical evidence between the audit committee and voluntary disclosure.
Khodadadi Study (2010)	The effect of corporate governance structure on the extent of voluntary disclosure in Iran.	Examining The relationship between corporate governance and the extent of voluntary disclosure in listed firms of Tehran Stock Exchange.	- The sample was selected among listed companies in Tehran Stock Exchange during 2001-2005 and totally is consist of 106 observations. - The size and the type of audit institute are used as control variables.	- There is no significant relationship between percentage of independent directors on the board, CEO/Chairman duality and the extent of voluntary disclosure. - There is significant evidence on relationship between the percentage of institutional investors and the extent of voluntary disclosure.
Islam, Est. Study (2010)	Corporate Governance and Voluntary Information Disclosure: A	Examining the actual corporate governance practices in the listed financial	- A sampling of 10 listed financial Companies has been taken. - a Corporate	- Corporate Governance disclosure index is significantly influenced (at 10

	Study of Listed Financial Companies in Bangladesh	public limited companies by considering 30 disclosure items.	Governance Disclosure Index (CGDI) has been computed and a number of hypotheses have been tested. - Multiple regression analysis was used.	percent level of significance) by log of net asset value, EPS, and the size of the board. -
Akhtaruddin, est. Study (2009)	Corporate Governance and Voluntary Disclosure in Corporate Annual Reports of Malaysian Listed Firms	Investigates empirically the extent of corporate governance and voluntary disclosure by listed firms in Malaysia by governance factors	- Sample of all by listed firms in Malaysian market. - Multiple regressions were used.	- There is a positive association between Board size and voluntary disclosures and between proportion of INDs and voluntary information. - The extent of voluntary disclosure is negatively related to family control, and the ratio of audit committee members to total members on the board is not related to voluntary disclosures.
Sharma and Singh study (2009)	Voluntary Corporate Governance Disclosure: A	It study's the voluntary corporate governance practices of the	- A voluntary corporate governance disclosure index has	- The companies are following less than 50% of the items of disclosure

	Study of Selected Companies in India	companies over and above the mandatory requirements as per Clause 49 of the Listing Agreement.	been prepared. Using 40 items. - A sample of 50 companies has been taken from four industries, viz., software, textiles, sugar and paper	index. - There is no significant difference among the disclosure scores of these four industries.
Barako, et al. Study (2006)	Relationship between Corporate Governance Attributes and Voluntary Disclosures in Annual Reports: The Kenyan Experience	examines the association of corporate governance practices with the voluntary disclosures of selected information in the annual reports of Kenyan companies	- used pooled Ordinary Least Square (OLS) with Panel-Corrected Standard Errors (PCSEs).	- The presence of an audit committee is a significant factor associated with the level of voluntary disclosure, - The proportion of non-executive directors on the board is found to be significantly negatively associated with the extent of voluntary disclosure. - Board leadership structure did not appear to have a significant influence on the level of voluntary disclosure by companies.
Collett and Hraskz study	Voluntary Disclosure of	It examines the relationship	- Regression analysis was used.	- The voluntary disclosure of

(2005)	Corporate Governance Practices by Listed Australian Companies	between the voluntary disclosure of information about corporate governance practices and the intention to raise external finance.	- A sample of the Australian Listed Companies was taken.	corporate governance information is positively associated with the intention to raise equity capital, but not with the intention to raise debt capital.
Bujaki and Mcconomy study (2002)	Corporate Governance: Factors Influencing Voluntary Disclosure by Publicly Traded Canadian Firms	Examining the comprehensiveness of voluntary corporate governance disclosures in the annual reports and management information circulars of Toronto Stock Exchange (TSE) firms.	- It uses a sample of TSE 300 firms. - The study uses simultaneous equations multivariate analysis.	- The choices of disclosure medium and the extent of disclosure are made concurrently, -They are influenced by the strategic considerations of management.
Cherrati Study (2010)	Disclosure about Corporate Governance in the Annual Financial Reports and Its Limitations	- Examine the level of Disclosure practices of Corporate Governance made in the annual reports.	- A sample of 64 Jordanian industrial companies listed in Amman stock exchange for the year 2008. - a disclosure index of 37 items of corporate governance was designed and used. - Multiple	- The compulsory disclosure is high and similar between companies - Level of voluntary disclosure is low. - There is a positive and significant relationship between the level

			regression analysis was conducted.	of voluntary disclosure and audit committee and separation between chairman of board of directors and CEO. – There is a negative and significant relationship between the level of voluntary disclosure and the number of non-executive directors in the board of directors.
Al-Aidi Study (2010)	The Impact of Corporate Governance Effectiveness on Financial Performance of Listed Companies on Amman Stock Exchange	studying the impact of the corporate governance effectiveness on Financial Performance of Listed Companies on Amman Stock Exchange	- A survey questionnaire was used and distributed to 160 financial managers and accountants. - Multiple regression was used to	- The existence of positive relationship between the corporate governance effectiveness and return on investment.
Al-Ghassawie Study (2010)	Corporate Governance and Its Effect On The Level Of Disclosure About The	identify corporate governance and its affect over the level of disclosure about accounting information	- The study used Descriptive statistical methods through multiple regression model - Sample of (89)	- There are different levels of disclosure in the financial reports. - the highest level of disclosure in the

	Accounting Information (A Field Study Conducted On The Publicly Owned Companies In KSA)		publicly owned company in KSA.	financial reports is in the financial statements of the cement sector . - the least level of disclosure are in the hotels and tourism sector. - there is a positive relationship between the ownership concentration, the size of the company and the level of disclosure in the financial reports. - there are no negative relationship between the independency of the board of directors and the level of disclosure.
Al-Hassan Study (2009)	The Voluntary Disclosure for the Jordanian Companies Enlisted In Amman Stock Exchange	Identifying corporate governance in the financial reports of Jordanian companies in Amman stock exchange and showing the	- An analytical and descriptive approach was adapted. - a sample of all (272) companies listed in Amman stock exchange.	- the level of voluntary disclosure is %36.64 - there is a positive relationship between the level of voluntary disclosure and the company's size, the

		effects of the factors over voluntary disclosure in those companies		auditor's company's size the financial leverage and ownership structure. - there is no statistically significant differences among the disclosures within the primary and the secondary market companies.
Abu Al-Hammam Study (2009)	The Effect Of Applying The Rules Of Governance Over The Accounting Disclosure And The Quality Of The Financial Reports	Identifying the effect of applying governance over accounting disclosure and the quality of the financial reports.	- The study used a descriptive and analytical approach. - a questioner has been distributed to cover all the population which contain (150) board of directors and CEO in the companies listed in Palestinian financial market working in palatine	- the application of the rules of governance has reinforced the role of accounting disclosure. - quality of the financial reports, and the progress in the governance culture has been reflected mainly on the position of the companies and their continuity to reach their goals and objectives
Mariq study (2009)	An Assessment of Voluntary Disclosure in the Annual Reports of	Measuring the quantity and the quality of voluntary discloser in the annual financial	- a sample of 52 Saudi companies have been studied. - The searcher uses Inductive approach	- There is a certain level of interest about voluntary disclosure. - There is a desire by the company to

	Saudi Joint Stock Companies	reports for Saudi companies.	- the positive approach in the analysis on the size and the quality of voluntary disclosure in the Saudi companies	voluntarily disclose information and provide interested parties in the financial statements with managerial, additional financial and voluntary information over the information required by the Saudi Disclosure standards.

Chapter 4

Methodology of the Study

- *Introduction*
- *The Population and the Sample of the Study*
- *Data Collection*
- *The Variables of the Study*
- *The Model of the Study*
- *The Statistical Methods Used*

Chapter 4

Introduction

The objective of this chapter is to provide the methodology of the study by previewing the steps and stages used to achieve its objectives.

Population and Sample of the Study

The population of the study includes all Jordanian banks listed in the Amman Stock Exchange for the years 2007-2010. There are 15 banks listed in the Amman Stock Exchange according to companies' guide issued by Amman Stock Exchange. As for the sample of the study, it contains the banks that satisfy the following conditions:

- The bank's annual reports are available for the years of the study.
- The banks stocks had to be traded during 2007-2010.

Accordingly, 100% of the population fit the criteria and their annual reports were collected for analysis. In addition, for the purpose of obtaining reliable results for the regression analysis, the study conducts a cross-sectional and time series analysis covering banks' annual reports for four years.

Data Collection

The data are collected from the banks' annual reports available on the website of the Jordanian Securities Commission, the Companies' guide for the year 2010 and the Amman Stock Exchange website. In addition, the World Wide Web and Internet data bases are employed to obtain the relevant articles on the research topic.

The Variables of the Study

The Dependent Variable

The dependent variable of the current study is the voluntary disclosure of information in the annual reports of banks listed on the ASE. Consistent

with similar studies, this variable is measured by using voluntary disclosure index. Table (4-1) below shows the voluntary disclosure index used in the study.

Table (4-1)

Voluntary Disclosure Index

Voluntary Disclosure Index	Total liquid assets to assets ratio
A- Balance sheet items (2)	Total liquid assets to deposit ratio
The breakdown Balance with other banks	Loan to deposit ratio
Advances and its breakdown	**I- General Risk Management (04):**
B- Profit and Loss Account Items (3)	Whether and how hedges and derivative are used to manage risks
Interest earned and their breakdown	Information on Risk management committee
Other income and its breakdown	Information on Assets-liability management committee
Interest expenses and its breakdown	Information on Risk management structure
C- Board's Report (2)	**J- Credit Risk Exposure (06):**
Narrative statement of company's affairs	Disclosure on the magnitude of an institution's credit exposure on an aggregate basis
Amount of dividend recommended	Information on credit risk management structure
D- Corporate Governance (21):	Quantitative information on gross loan positions
A statement on philosophy on code of governance	Disclosures about the quality of the current loan and other counter-party exposures with quantitative information
Details of attendance of each director at BOD meetings	Amount and details of problem loans and other assets or details by internal risk ratings
Number of BOD meetings held and dates	Disclosure of credit rating system/process
Classification of directors as executive or outsider	**K- Market Risk Exposure (04):**
Information on management/executive committee of the board	General descriptions of market risk segments
Brief description of terms of reference of audit committee	Disclosures on value-at-risk (VAR) for interest rate exposure
Location and time of last/three AGM's held	Disclosures on value-at-risk (VAR) for foreign exchange exposure
Details of voting pattern	Disclosures on value-at-risk (VAR) for trading and derivatives securities exposure
Disclosure of information on the quarterly result/press release to website.	**L- Liquidity Risk Exposure (03):**
Disclosure of information on presentations made to institutional investors/analysts	Information about the firm's available liquid assets as well as sources and uses of funds
Disclosure of the current AGM, date, time and venue	Information on concentrations of depositors and other fund providers
Disclosure of the dividend payment date	Maturity information about deposits and other liabilities
Disclosure of the market price data	**M- Key Non-financial Statistics (04):**
Disclosure of the performance	Age of key employee
Disclosure of information on the distribution of shareholders category wise	Details of branch location
Details of CEO's contact address	Information on ATM

Are the independent directors well-defined?	Location of ATM and their address
Nature of chairman of the board of directors	**N- Corporate Social Disclosure (03):**
Directors' engagement/directorship of other companies	Information on donations to charitable
Picture of all directors/board of directors	Supporting national pride/government.-sponsored campaigns
Picture of chairperson only	Information on social banking activities/banking for the society
E- Management Discussion and Analysis (06):	**O- Others (07):**
Disclosure of narrative discussion on industry structure and development	Chairman's/MD's report
Narrative discussion of opportunities and threats	On-line banking facilities
Disclosure of performance on segment or product wise	Information on credit card business
Narrative discussion of outlook	Information on international banking facilities
Disclosure of information regarding risks and concerns	Information on welfare of employees
Discussion of material development in HR including number of people employed	Information on ISO 9001: 2000 certification
F- Background about the bank/general corporate information (02):	Graphical presentation of performance indicators
Official address/registered address/address for correspondence	
Web address of the bank/email address	
G- Corporate Strategy (03):	
Management's objectives and strategies/corporate vision/motto/statement of corporate goals or objectives	
Future strategy - Information of future expansion (capital expenditures)/general	
Impact of strategy on future results	
H- Financial Performance (10):	
Brief discussion and analysis of a bank's financial position	
Discussion of the bank's liquidity position and about additional financing	
Return on Assets	
Return on equity	
Cost–to-income ratio	
Risk-weighted assets	
Debt–to-equity ratio	

As seen from the table, the index includes 80 Items of information, which are classified in fifteen groups. These groups are: balance sheet items (2), profit and loss Account items (3), Board's Report (2), Corporate Governance (21), Management Discussion and Analysis (06), background about the bank/general corporate information (02), corporate strategy (03), financial performance (10), general risk management (04), credit risk exposure (06), market risk exposure (04), liquidity risk

exposure (03), key non-financial statistics (04), corporate social disclosure (03) and others (07). The index is applied to the annual reports of the Jordanian banks listed on the Amman Stock Exchange for four years. The weight was based on the presence or the absence of each item in the banks' annual report. That is, if the item is disclosed, the bank will receive a weight of one, otherwise, it will receive zero.

The Independent Variables:

1. **Size**

The size of the company can influence the level of disclosure. It was found that large companies tend to voluntarily disclose more information than small ones (e.g., Islam, *et. al,* 2010; Khodadadi, *et al.,* 2010). Many studies used different proxies for size of a company for example: net assets, total assets, and number of employees. In this study total assets will be employed as a proxy for the size of a bank.

2. **Profitability**

According to (Hossain, 2007), it is noticed that firms with high profitability has a tendency to disclose more to attract more investors and stockholders as opposed to the firms with low profitability or even losses. This theory was tested in much research; (Agca and Onder, 2007) study which showed an increase in the percentage of profit of the main universe which comprises the firms in the sample positively affects the value for the voluntary disclosure of Strategic Information. Other studies could not establish that relationship (e.g., Labelle, 2002). Consistent with the majority of previous research, the current study uses ROE as a measure of profitability.

3. **Leverage**

Many studies tested the effect of leverage on the extent of disclosure by companies. Mallin and Ow-yong (2009) studied that effect and was able to conclude a positive relationship between the financial leverage and the extent of disclosure registered companies. Also (Prachsriphum and Ussahawanitchakit, 2009) study which suggests that structural complexity requires a firm to have an effective management information system for monitoring purposes and the availability of such a system helps to reduce the cost of information production per unit and thus, higher disclosure. On the contrary, Al-Shammari and Al-Sultan (2010) could not statistically establish a relationship between the leverage and voluntary disclosure in Kuwait markets. Therefore, this study uses the ratio of total debt / total asset as a measure of leverage.

4. **Ownership Concentration**:

Ownership concentration represents the extent of concentration of the company's stock in the hands of major stockholders, which means the degree to which ownership of company stock is concentrated in the hands of few large investors or dispersed among many. Ownership concentration has been proposed to influence the company's disclosure policy, thus, the current study will examine its impact on disclosure. This variable is measured by the percentage of shareholders who possess over 5% of the bank's capital.

5. **Independence of the Board of Directors**:

Corporate Governance Code for Shareholding Companies listed on the Amman Stock Exchange issued by Jordan Securities commission defines the Independent director as a member of the board of directors who is not

tied to the company or any of its upper executive management, affiliate companies, or its external auditors by any financial interests or relationships other than his shareholding in the company that may be suspected to bring that member benefit, whether financial or incorporeal, or that may affect his/ her decisions or lead to exploitation of his/ her position with the company. Larger number of board members will enhance transparency, however, it will lengthen the decision making process. Independent board tends to have higher fairness and transparency, thus larger number of independent board will presumably enhance disclosure level (Sayogo, 2006). This variable is measured by the ratio of the number of independent (Non- Executive) directors to the total number of the board.

6. **The Size of The Board**:

The board of directors is one of the most important factors in corporate governance to oversee the overall performance. As a top-level management body, the board of directors formulates policies and strategies to be followed by managers. It has been argued that a greater number of directors on the board may reduce the likelihood of information asymmetry (Chen and Jaggi, 2000). Therefore, this variable is measured by the total size of the board members.

7. **Chairman duality**:

A major issue often discussed is whether the chairman of the board of directors and CEO positions should be held by different persons or by one person. For instance the board leadership structure was found to have no significant influence on the extent of voluntary disclosure in Kenyan markets as opposed to many previous studies (Barako and Est, 2006). In this study, this variable will be tested to see its effects on voluntary

disclosure. It is represented by a dummy variable to indicate the chair of the board of directors and CEO positions are held by different persons or by one person, and it is given a value of (1) if it is held by different persons and (0) if otherwise.

8. **Audit Firm**:

Auditing firms, especially the big ones, are directly related to the information disclosed by the companies they audit since the quality of information reflects the precision of the audit. Therefor it is expected for the company which is audited by a big auditing firm to show a high level of voluntary disclosure. Each financial statement will be examined to determine the audit companies which oversaw the audit process for each bank.

9- **Number of Branches**:

This variable means how complicated is the bank's operations. How this corporate governance property may affect the voluntary disclosure is one of the sub missions of this study and it will be measured through the number of branches operating in Jordan.

Table (4-2) shows a summary of the variables used in the study and their measurements.

Table (4-2)

The Variables used and Measurements

The Variable	Measurement
the level of voluntary disclosure about corporate governance (TVDX)	Total voluntary disclosure index. A firm's score divided by total possible score
Total assets (Firm's size) (TA)	Total assets represents the size of the firms measured in total assets

Profitability (ROE)	Profit represents return on equity ROE
Leverage (Debt)	The total debt over the total assets
Ownership Concentration	The percentage of shareholders who own 5% or more of the bank's stock.
Proportion of independent nonexecutive directors (PIND)	Proportion of independent nonexecutive directors indicates the percentage of independent nonexecutive directors to total directors on board.
Board size (BSZE)	Board size represents the total number of members on each board
Duality CEO/chairperson	In case were CEO and chairperson/vice chairperson position is held by a single individual, 1 and otherwise 0 is given to this variable.
Audit firms (NAF)	Nature of audit firms. 1 if audit firms is a Big company; 0 otherwise
Number of Branches	The number of branches operating in Jordan.

The Model of the Study:

The following is the regression model that is used in this study to examine the impact of the independent variables discussed above on the behavior of the dependent variable (voluntary disclosure index).

$$TVDX = \beta_0 + \beta_1 TA + \beta_2 ROE + \beta_3 DR + \beta_4 OC + \beta_5 PIND + \beta_6 BSZE + \beta_7 BRACH + \beta_8 Duality + \beta_9 PAC + \beta_{10} NAF + \varepsilon_i$$

Where:

TVDX = Total voluntary disclosure index for each sample firm

TA = Total assets

ROE = return on equity

DR = Debt ratio

OC = Ownership concentration in the hands of major owners.

PIND = Proportion of independent nonexecutive directors

BSZE = Board size

BRACH = No. of branches

Duality = CEO/chairperson duality

NAF = Nature of audit firms

β_I = the Regression coefficient, i= 0, 1, 2, …,10

□i = Error term

The regression model contains seven continues variables which are: firm's size, profitability, leverage, Ownership concentration, Proportion of independent nonexecutive directors, Board size and Level of Sophistication of the Bank's Operation, and two dummy variables which are: Chairman Duality and the size of the Audit Firms, and one dependent variable which is the level of voluntary disclosure about corporate governance.

Statistical Techniques used

In order to reach the objectives of the study and test its hypotheses, the following statistical techniques have been used:

- Descriptive Statistics: the use of measures of central tendency (The arithmetic mean) and measures of dispersion (the standard deviation and range).
- Correlation Bavarian: this technique is used to measure the strength and the direction of the linear relationship between each of the independent variables among themselves.
- Multiple linear regression: the technique is used to determine the effect each of the independent variables has on the dependent variable through the liner equation. In addition, (Adj. R Squared) is going to be used to test how much the all independent variables explain the change in the dependent variable.

Chapter 5

Data Analysis and Hypothesis Testing

- *Introduction*
- *Voluntary Disclosure Index*
- *Regression Analysis and results*

Chapter 5

Introduction

The objective of this chapter is to discuss the results of the study concerning the level of voluntary disclosure in financial statement of the Jordanian banks for the years 2007-2010, and the relationship between the independent variables and voluntary disclosure. The chapter starts with a discussion the results of applying the voluntary disclosure index to banks' annual reports for the years 2007-2010. Then, the chapter concludes with presenting the results of the multiple regression analysis and examines the research hypotheses.

The Voluntary Disclosure Index

To measure the level of voluntary disclosure, the disclosure index discussed in the previous chapter was applied to the annual reports of the 15 banks for the period 2007-2010. 112 items were tested for applicability after reviewing by the Department of Supervision in the Central Bank of Jordan, 80 items were chosen for this index. A voluntary disclosure score was calculated for each bank per each year by dividing the actual number of items disclosed by a bank by the total number of items in the disclosed index (80 items). The following table shows the summery of voluntary disclosure scores for each year:

Table 5-1

Summary of the voluntary disclosure scores

Year	Mean %	S.D %	Min. %	Max. %
2007	58.67	8.96	45	75
2008	59.17	8.45	46.25	75

2009	59.42	8.62	42.5	73.75
2010	60.83	8.23	50	73.75
Overall	59.52	8.57	45.94	74.38

As seen from the table, on average, a bank disclosed 59.52% of the 80 items included in the voluntary disclosure index. Also, there are no significant differences in the banks' disclosure scores throughout the period of the study. Plus, the standard deviation of 8.57 indicates some variation in the voluntary disclosure of information between banks. Therefore we can conclude that banks can voluntarily disclose more in their annual reports as we can see from the deference between the maximum value and minimum.

Table 5-2
Frequency distribution of v. disclosure scores between banks

Disclosure Score %	No of Bank	%
Greater than 70	10	16.67
60 – 69.9	22	36.67
50 – 59.9	23	38.33
Less than 49.9	5	8.33
Total	60	100

The above table 5-2 shows frequency distribution of voluntary disclosure scores between banks for the 80 items in the index. The table contains three columns, the first column voluntary disclosure scores brackets. The second column represents the number of banks statements divided to those brackets. The third Column represents the percentage of bank's statements under each bracket for the years 2007-2010. This was calculated by dividing the number of bank's statements under each

bracket of voluntary disclosure's to the total number of banks statement in the sample (60).

In order to evaluate the voluntary disclosure index thoroughly we looked closely to each item in the index. The following table represents the voluntary disclosure index.

Table 5-3

Voluntary Disclosure Index 2007-2010

Banks V. Disclosure	2010	2009	2008	2007	T
Disclosure Index					
A- Balance sheet items (2)					
The breakdown Balance with other banks	100.0%	100.0%	100.0%	100.0%	100.0%
Advances and its breakdown	100.0%	100.0%	100.0%	100.0%	100.0%
B- Profit and Loss Account Items (3)					
Interest earned and their breakdown	86.7%	93.3%	93.3%	93.3%	91.7%
Other income and its breakdown	100.0%	100.0%	93.3%	93.3%	96.7%
Interest expenses and its breakdown	86.7%	93.3%	93.3%	93.3%	91.7%
C- Board's Report (2)					
Narrative statement of company's affairs	100.0%	100.0%	100.0%	100.0%	100.0%
Amount of dividend recommended	80.0%	86.7%	93.3%	93.3%	88.3%
D- Corporate Governance (21):					
A statement on philosophy on code of governance	100.0%	100.0%	93.3%	93.3%	96.7%
Details of attendance of each director at BOD meetings	13.3%	13.3%	13.3%	13.3%	13.3%
Number of BOD meetings held and dates	33.3%	26.7%	20.0%	20.0%	25.0%
Classification of directors as executive or outsider	40.0%	33.3%	33.3%	33.3%	35.0%
Information on management/executive committee of the board	100.0%	100.0%	100.0%	100.0%	100.0%
Brief description of terms of reference of audit committee	80.0%	73.3%	73.3%	66.7%	73.3%
Location and time of last/three AGM's held	0.0%	0.0%	0.0%	0.0%	0.0%
Details of voting pattern	66.7%	53.3%	40.0%	33.3%	48.3%
Disclosure of information on the quarterly result/press release to website.	13.3%	6.7%	13.3%	13.3%	11.7%
Disclosure of information on presentations	0.0%	0.0%	6.7%	6.7%	3.3%

made to institutional investors/analysts					
Disclosure of the current AGM, date, time and venue	6.7%	6.7%	13.3%	13.3%	10.0%
Disclosure of the dividend payment date	6.7%	6.7%	0.0%	0.0%	3.3%
Disclosure of the market price data	93.3%	93.3%	100.0%	100.0%	96.7%
Disclosure of the performance	100.0%	100.0%	100.0%	100.0%	100.0%
Disclosure of information on the distribution of shareholders category wise	6.7%	6.7%	6.7%	6.7%	6.7%
Details of CEO's contact address	0.0%	0.0%	0.0%	0.0%	0.0%
Are the independent directors well-defined?	46.7%	40.0%	46.7%	46.7%	45.0%
Nature of chairman of the board of directors	80.0%	80.0%	80.0%	80.0%	80.0%
Directors' engagement/directorship of other companies	100.0%	100.0%	100.0%	100.0%	100.0%
Picture of all directors/board of directors	40.0%	40.0%	33.3%	33.3%	36.7%
Picture of chairperson only	53.3%	66.7%	66.7%	66.7%	63.3%
E- Management Discussion and Analysis (06):					
Disclosure of narrative discussion on industry structure and development	60.0%	60.0%	73.3%	66.7%	65.0%
Narrative discussion of opportunities and threats	66.7%	60.0%	66.7%	60.0%	63.3%
Disclosure of performance on segment or product wise	86.7%	80.0%	93.3%	93.3%	88.3%
Narrative discussion of outlook	100.0%	100.0%	100.0%	100.0%	100.0%
Disclosure of information regarding risks and concerns	100.0%	100.0%	100.0%	100.0%	100.0%
Discussion of material development in HR including number of people employed	100.0%	100.0%	100.0%	100.0%	100.0%
F- Background about the bank/general corporate information (02):					
Official address/registered address/address for correspondence	93.3%	100.0%	86.7%	86.7%	91.7%
Web address of the bank/email address	86.7%	86.7%	80.0%	80.0%	83.3%
G- Corporate Strategy (03):					
Management's objectives and strategies/corporate vision/motto/statement of corporate goals or objectives	100.0%	93.3%	100.0%	100.0%	98.3%
Future strategy - Information of future expansion (capital expenditures)/general	100.0%	100.0%	100.0%	100.0%	100.0%
Impact of strategy on future results	53.3%	40.0%	46.7%	46.7%	46.7%
I- Financial Performance (10):					
Brief discussion and analysis of a bank's financial position	100.0%	100.0%	100.0%	100.0%	100.0%
Discussion of the bank's liquidity position	66.7%	66.7%	60.0%	60.0%	63.3%

and about additional financing					
Return on Assets	93.3%	86.7%	73.3%	73.3%	81.7%
Return on equity	93.3%	86.7%	80.0%	80.0%	85.0%
Cost–to-income ratio	40.0%	46.7%	33.3%	33.3%	38.3%
Risk-weighted assets	6.7%	6.7%	13.3%	13.3%	10.0%
Debt–to-equity ratio	6.7%	0.0%	6.7%	6.7%	5.0%
Total liquid assets to assets ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Total liquid assets to deposit ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Loan to deposit ratio	33.3%	40.0%	33.3%	33.3%	35.0%
J General Risk Management (04):					
Whether and how hedges and derivates are used to manage risks	33.3%	20.0%	20.0%	20.0%	23.3%
Information on Risk management committee	73.3%	66.7%	66.7%	66.7%	68.3%
Information on Assets-liability management committee	20.0%	20.0%	20.0%	20.0%	20.0%
Information on Risk management structure	93.3%	93.3%	93.3%	86.7%	91.7%
K Credit Risk Exposure (06):					
Disclosure on the magnitude of an institution's credit exposure on an aggregate basis	100.0%	93.3%	100.0%	100.0%	98.3%
Information on credit risk management structure	100.0%	100.0%	100.0%	100.0%	100.0%
Quantitative information on gross loan positions	100.0%	100.0%	100.0%	100.0%	100.0%
Disclosures about the quality of the current loan and other counter-party exposures with quantitative information	93.3%	93.3%	93.3%	93.3%	93.3%
Amount and details of problem loans and other assets or details by internal risk ratings	80.0%	73.3%	73.3%	66.7%	73.3%
Disclosure of credit rating system/process	80.0%	66.7%	66.7%	66.7%	70.0%
L Market Risk Exposure (04):					
General descriptions of market risk segments	86.7%	86.7%	86.7%	86.7%	86.7%
Disclosures on value-at-risk (VAR) for interest rate exposure	13.3%	13.3%	13.3%	13.3%	13.3%
Disclosures on value-at-risk (VAR) for foreign exchange exposure	13.3%	13.3%	13.3%	13.3%	13.3%
Disclosures on value-at-risk (VAR) for trading and derivatives securities exposure	20.0%	20.0%	20.0%	20.0%	20.0%
M Liquidity Risk Exposure (03):					
Information about the firm's available liquid assets as well as sources and uses of funds	66.7%	66.7%	66.7%	66.7%	66.7%
Information on concentrations of depositors and other fund providers	60.0%	60.0%	66.7%	66.7%	63.3%

Maturity information about deposits and other liabilities	100.0%	100.0%	100.0%	100.0%	100.0%
N. Key Non-financial Statistics (04):					
Age of key employee	0.0%	0.0%	0.0%	0.0%	0.0%
Details of branch location	86.7%	86.7%	80.0%	80.0%	83.3%
Information on ATM	73.3%	66.7%	60.0%	60.0%	65.0%
Location of ATM and their address	0.0%	6.7%	0.0%	0.0%	1.7%
O. Corporate Social Disclosure (03):					
Information on donations to charitable	100.0%	100.0%	93.3%	93.3%	96.7%
Supporting national pride/government.-sponsored campaigns	66.7%	73.3%	66.7%	66.7%	68.3%
Information on social banking activities/banking for the society	53.3%	53.3%	53.3%	53.3%	53.3%
P. Others (07):					
Chairman's/MD's report	100.0%	93.3%	93.3%	93.3%	95.0%
On-line banking facilities	80.0%	73.3%	80.0%	80.0%	78.3%
Information on credit card business	46.7%	33.3%	33.3%	33.3%	36.7%
Information on international banking facilities	26.7%	26.7%	26.7%	26.7%	26.7%
Information on welfare of employees	0.0%	0.0%	0.0%	0.0%	0.0%
Information on ISO 9001: 2000 certification	0.0%	0.0%	0.0%	0.0%	0.0%
Graphical presentation of performance indicators	80.0%	80.0%	86.7%	86.7%	83.3%

From the above table we note:

- Fourteen items were disclosed by all banks:

- The breakdown Balance with other banks
- Advances and its breakdown
- Narrative statement of company's affairs
- Information on management/executive committee of the board
- Disclosure of information on the distribution of shareholders category wise
- Narrative discussion of outlook
- Disclosure of information regarding risks and concerns
- Discussion of material development in HR including number of people employed
- Narrative statement of company's affairs
- Information on management/executive committee of the board
- Disclosure of information on the distribution of shareholders category wise
- Narrative discussion of outlook

- Disclosure of information regarding risks and concerns
- Discussion of material development in HR including number of people employed

- Seven items were not disclosed by any bank:

- Location and time of last/three AGM's held
- Details of CEO's contact address
- Total liquid assets to assets ratio
- Total liquid assets to deposit ratio
- Age of key employee
- Information on welfare of employees
- Information on ISO 9001: 2000 certification

- Twelve items were disclosed within the range of (90%-99%) by the banks which represents fifteen percent of the total no. of items.
- Four items were disclosed within the range of (1%-9.9%) by the banks which represents five percent of the total no. of items.
- Nineteen items were disclosed within the range of (10%-49.9%) by the banks which represents twenty four percent of the total no. of items.
- Twenty three items were disclosed within the range of (50%-89.9%) by the banks which represents twenty nine percent of the total no. of items.

Table (5-4) shows a summary of the corporate governance items in the index which contains 21 item of disclosure; we notice 3 items were disclosed by 100% of the banks (Narrative statement of company's affairs, Information on management/executive committee of the board and Brief discussion and analysis of a bank's financial position). 2 items were never disclosed (Location and time of last/three AGM's held and Details of CEO's contact address).

Also we notice 3 items were disclosed between the range 99% - 75% (A statement on philosophy on code of governance, Disclosure of the market

price data and Nature of chairman of the board of directors). 9 items in this group had disclosure scores between 30% and 1%.

Table 5-4

Summary of the Corporate Governance Items Score

Year	Mean %	S.D %	Min. %	Max. %
2007	44.13	8.40	0	100
2008	44.76	8.43	0	100
2009	45.08	8.52	0	100
2010	46.67	8.47	0	100
Overall	45.16	8.46	0	100

Regression Analysis and Results

The regression model aims to examine the impact of the independent variables in explaining the dependent variable. Before we see the regression, we must analyze each one of the independent variables and examine them for statistical anomalies. The following table represents the descriptive statistics for the 10 independent variable chosen for this study.

Table 5-5-1

Descriptive Statistics for the Independent Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Board Size	60	7	16	11.08	1.88
Non-Executive members	60	0.778	1	0.9204	0.071084
Total Assets	60	113993500	23319408000	2906442104	5479395239
Financial Leverage	60	0.174	0.909	0.7872	0.184029
ROE	60	-.031-	0.873	0.12591	0.116158
Number of Branches	60	5	185	49.3	47.638

Capital Concentration	60	0.036	0.874	0.57135	0.237536
Valid N (list wise)	60				

Table 5-5-2

Auditing Firm states

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**E & Y**	33	55	55	55
	Deloitte	27	45	45	100
	Total	60	100	100	

Table 5-5-3

Duality States

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**Yes (there is Duality)**	9	15	15	15
	No Duality	51	85	85	100
	Total	60	100	100	

After examining the above table it is noticeable that there are many differences among banks in size which are reflected in standard deviation of total assets. Also there are differences among banks in profitability (ROE), financial leverage and number of branches. The standard deviation for (ROE) is 11.62%, for financial leverage is 18.4% and for the number of branches is 47.64.

As for the dummy variables, it is noticed that 85% of the banks have separation between the position the chairman of the board of directors

and the position of CEO of the bank. Also it is worth to mention that 100% of the banks have audit committees. In addition, all banks were audited by two "big" auditing firms: 55% of them were audited by Ernest and Young and the remaining 45% of banks were audited by Deloitte.

After the descriptive statistics analysis the correlation between each independent variable must be examined to determine if there is a multicollinearity problem between the independent variables. This happens when two or more independent variables are highly correlated which makes it difficult to determine the individual contribution of each variable to the prediction of the dependent variable (Suwaidan, 2010). According to (Anderson et al. 1993) [1], the correlation coefficient is considered high if it exceeds .7 for any two of the independent variable. In order to measure the correlations between the independent variables, a correlation matrix was prepared as shown in table 5-6.

Table 5-6

Correlation Matrix

Variables	Board Size	Independent (non-executive) directors	Leverage %	ROE	Ownership Concentration	Log Total Assets	Log No. of Branches
Board Size	1						
Independent (non-executive) directors	.499**	1					
Leverage %	0.033	-.128-	1				
ROE	-.157-	.133-	0.051	1			
Ownership Concentration	-.395-**	.446-**	0.153	0.141	1		
Log Total Assets	-.418**	0.206	0.222	.030-	.196-	1	
Log No. of Branches	0.088	0.105	0.172	0.136	.005-	.860**	1

**. Correlation is significant at the 0.01 level (2-tailed).

[1] From Suwaidan (2010)

From the above correlation matrix, the correlation coefficient between the number of branches and total assets is over .7 which means that there is a possible multicollinearity problem. To solve this problem two regressions are undertaken to pinpoint the exact affect each of the correlated variables have on the dependent variable. The first one includes the following independent variables: Log of Total Assets, ROE, Financial Leverage, Board Size, Capital Concentration, Duality, Non-Executive members and Auditing Firm. The second regression includes the following independent variables: Log Number of Branches, Capital Concentration, ROE, Financial Leverage, Board Size, Duality, Non-Executive members, Auditing Firm. The Audit Committee has been eliminated from the regression because all banks have audit committees. The following table represents the result of the first regression:

Table 5-7

Results of the Regression Analysis (First Model)

Model Summary	Adj. R^2 = .594		F = 11.794,	Sig. = .000	
Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	-.230-	.171		-1.347-	.184
Board Size	-.002-	.006	-.045-	-.345-	.731
Non-Executive members	-.256-	.138	-.215-	-1.859-	.069
Auditing Firm	-.031-	.023	-.182-	-1.360-	.180
Duality	-.014-	.024	-.061-	-.591-	.557
Financial Leverage	.173	.050	.377	3.464	.001
ROE	.074	.062	.102	1.207	.233
Capital Concentration	.027	.042	.076	.643	.523
Log of Total Assets	.104	.017	.626	6.118	.000

a. Dependent Variable: Voluntary Disclosure

Table (5-7) shows the results of the regression analysis of first model. Notice that the adjusted R squire is .594 which means the independent variables in the first model explain 59.4% of the variations in the level of voluntary disclosure among the banks under study. Also there is a positive relationship at significant level of 1% between both the financial leverage and total assets as independent variable and the level of voluntary disclosure. Consequently, the results subject that the other independent variables do not have a relationship with the dependent variable at a significant level of 5%.

The following table shows the result of the second regression:

Table 5-8

Results of Regression Analysis (Second Model)

Model Summary		Adj. R^2 = .573		F = 10.895	Sig. = .000	
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.542	.121		4.466	.000
	Board Size	.002	.006	.042	.311	.757
	Non-Executive members	-.285-	.142	-.239-	-1.998-	.051
	Auditing Firm	-.019-	.023	-.115-	-.846-	.401
	Duality	-.011-	.025	-.046-	-.427-	.671
	Financial Leverage	.184	.051	.400	3.593	.001
	ROE	.017	.064	.023	.263	.794
	Capital Concentration	.003	.044	.007	.059	.954
	Log Number of Branches	.111	.019	.583	5.750	.000

a. Dependent Variable: Volentary Disclosure

Table (5-8) summarizes the results of the regression analysis for the second model. As seen from the table, the regression model is highly significant for (F =10.895, Sig.2 = 0.000). The adjusted R^2 equal to .573 which means the second model explains 57.3% of the variations in the banks' voluntary disclosure can be explained by the variables incorporated in the model. Two variables were found significant at least, 5% level in explaining variations in banks' voluntary disclosure; the Number of Branches and Financial Leverage. Both variables have positive coefficients which indicate positive relationship between these variables and voluntary disclosure. In other words, the banks that are more branched out tends to voluntary disclose more information than lesser ones. Moreover, the higher the financial leverage of the bank the more obligated the bank feels to disclose more information to cover themselves from future liabilities (Barako and Est, 2006).

On the other hand, there is no statistical significant relationship banks voluntary disclosure in both models and the size of the board of directors, no. independent non-executive directors, duality of the position of chairman/CEO, profitability and the consecration of capital. Therefore, after testing the hypothesis the following is the results:

a- H1: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the size of the board of directors.

   Based on the result of the two regression analysis (table 5-7 and 5-8), this hypothesis is Rejected at the 5% level of significance

b- H2: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the independence (non-executive) of the board of directors.

Based on the result of the two regression analysis (table 5-7 and 5-8), this hypothesis is rejected at the 5% level of significance

c- H3: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the separation between the position of Chairman of the board of directors and CEO.

   Based on the result of the two regression analysis (table 5-7 and 5-8), this hypothesis is rejected at the 5% level of significance

d- H4: There is a significant effect of audit firm on the level of voluntary disclosure in the annual reports of Jordanian banks.

   Based on the result of the two regression analysis (table 5-7 and 5-8), this hypothesis is rejected at the 5% level of significance

e- H5: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and financial leverage.

   Based on the result of the two regression analysis (table 5-7 and 5-8), this hypothesis is accepted at the 1% level of significance

f- H6: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the profitability of the bank.

   Based on the result of the two regression analysis (table 5-7 and 5-8), this hypothesis is rejected at the 5% level of significance

g- H7: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the size of the bank.

Based on the result of the two regression analysis (table 5-7), this hypothesis is accepted at the 1% level of significance

h- H8: There is a significant positive relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the bank's number of branches.

Based on the result of the regression analysis (table 5-8), this hypothesis is accepted at the 1% level of significance

i- H9: There is a significant relationship between the level of voluntary disclosure in the annual reports of Jordanian banks and the concentration of the bank's capital ownership.

Based on the result of the two regression analysis (table 5-7 and 5-8), this hypothesis is rejected at the 5% level of significance.

The following table represents a summary of the results of hypotheses testing:

Table (5-9)

Summary of the Results and Hypotheses Testing

NO. of the Hypothesis	**The Independent Variable**	**Result**
H1	The size of the audit firm	Rejected
H2	The size of the board of directors.	Rejected
H3	The weight of Independent non-executives in the board of directors	Rejected
H4	Role duality.	Rejected

H5	Financial leverage.	Accepted
H6	The profitability of the company.	Rejected
H7	The size of the company.	Accepted
H8	Number of branches	Accepted
H9	The concentration of the company's capital.	Rejected

Chapter 6

Summary, Conclusions and Recommendations

- *Introduction*

- *Summary of Results*

- *Conclusions of the study*

- *Recommendations of the study*

Chapter 6

Introduction

This study aimed to identify the level of voluntary disclosure in the financial statements of the banks operating listed in Amman Stock Exchange for the years 2010-2007. The study also aimed to determine the corporate governance attributes that would affect the level of voluntary disclosure. Thus, the current chapter discusses the conclusions of the study and its recommendations.

Summary of Results

After applying the voluntary disclosure index and the multi-linear regression, the level of the voluntary disclosure the Jordanian Banks listed the Amman Stock exchange was (59.52%) which is relatively high. the levels of voluntary disclosure slightly improved through the years where the overall level of voluntary was 58.6% in the year 2007 to reach 60% in the year 2010. Also, due to the multicollinearity problem between the size of the bank and the number of the bank's branches, two models had to be tested to observe the effects of each variable on the level of voluntary disclosure. The end result shows that there is a statistically significant relationship between the financial leverage, the size of the bank and the number of the bank's branches. All the remaining independent variables (the size of the audit company, The size of the board of directors, the separation between the position of Chairman of the board of directors and CEO, the profitability of the company, The weight of Independent non-executives in the board of directors and the concentration of the company's capital) do not have a statistically significant relationship between them and the level of voluntary disclosure in the Jordanian banks

Conclusions of the study

1- There is a lack of adherence to corporate governance guides issued by the Central Bank of Jordan and Security Exchange Commission regarding disclosing information. For instance, the names of the directors involved in the audit committee location of the currant AGM meeting is disclosed 0% the Security Exchange Commission specifically required in their code of corporate governance from banks to disclose the time of the current and last meeting.
2- There is a relatively high level of voluntary disclosure among the banks and it can be observed that the levels of voluntary disclosure have improved over the study period. This could suggest that the Jordanian banks have become more aware of the importance of voluntary disclosure.
3- Despite the fact that there is a high level of voluntary disclosure in financial statements for the Jordanian banking sector, but there is room for improvement to reach higher level of discloser.

Recommendations of the study

1- Conducting more studies that cover a number of aspects and variables that were not covered in this study such as the presents of an audit committee in other industries.
2- Increase the transparency of the Jordanian market through the enforcing more restrictions on corporate governance.
3- The banks should adherence to corporate governance guides issued by the Central Bank of Jordan and Security Exchange Commission regarding disclosing information.
4- The banks that do not separate the position of the chairman of the Board of directors and the CEO position should do so to enhance the corporate governance role.

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Appendixes

Appendix (1) Voluntary Disclosure Index

Voluntary Disclosure Index
A Balance sheet items (2)
The breakdown Balance with other banks
Advances and its breakdown
B Profit and Loss Account Items (3)
Interest earned and their breakdown
Other income and its breakdown
Interest expenses and its breakdown
C Board's Report (2)
Narrative statement of company's affairs
Amount of dividend recommended
D Corporate Governance (15):
A statement on philosophy on code of governance
Details of attendance of each director at BOD meetings
Number of BOD meetings held and dates
Classification of directors as executive or outsider
Information on management/executive committee of the board
Brief description of terms of reference of audit committee
Location and time of last/three AGM's held
Details of voting pattern
Disclosure of information on the quarterly result/press release to website.
Disclosure of information on presentations made to institutional investors/analysts
Disclosure of the current AGM, date, time and venue
Disclosure of the dividend payment date
Disclosure of the market price data
Disclosure of the performance
Disclosure of information on the distribution of shareholders category wise
E Management Discussion and Analysis (06):
Disclosure of narrative discussion on industry structure and development
Narrative discussion of opportunities and threats
Disclosure of performance on segment or product wise
Narrative discussion of outlook
Disclosure of information regarding risks and concerns
Discussion of material development in HR including number of people employed
F Background about the bank/general corporate information (02):
Official address/registered address/address for correspondence
Web address of the bank/email address
G Corporate Strategy (03):

Management's objectives and strategies/corporate vision/motto/statement of corporate goals or objectives
Future strategy - Information of future expansion (capital expenditures)/general
Impact of strategy on future results
H Corporate Governance (06):
Details of CEO's contact address
Are the independent directors well-defined?
Nature of chairman of the board of directors
Directors' engagement/directorship of other companies
Picture of all directors/board of directors
Picture of chairperson only
I Financial Performance (10):
Brief discussion and analysis of a bank's financial position
Discussion of the bank's liquidity position and about additional financing
Return on Assets
Return on equity
Cost–to-income ratio
Risk-weighted assets
Debt–to-equity ratio
Total liquid assets to assets ratio
Total liquid assets to deposit ratio
Loan to deposit ratio
J General Risk Management (04):
Whether and how hedges and derivates are used to manage risks
Information on Risk management committee
Information on Assets-liability management committee
Information on Risk management structure
K Credit Risk Exposure (06):
Disclosure on the magnitude of an institution's credit exposure on an aggregate basis
Information on credit risk management structure
Quantitative information on gross loan positions
Disclosures about the quality of the current loan and other counter-party exposures with quantitative information
Amount and details of problem loans and other assets or details by internal risk ratings
Disclosure of credit rating system/process
L Market Risk Exposure (04):
General descriptions of market risk segments
Disclosures on value-at-risk (VAR) for interest rate exposure
Disclosures on value-at-risk (VAR) for foreign exchange exposure
Disclosures on value-at-risk (VAR) for trading and derivatives securities exposure
M Liquidity Risk Exposure (03):

Information about the firm's available liquid assets as well as sources and uses of funds
Information on concentrations of depositors and other fund providers
Maturity information about deposits and other liabilities
N Key Non-financial Statistics (04):
Age of key employee
Details of branch location
Information on ATM
Location of ATM and their address
O Corporate Social Disclosure (03):
Information on donations to charitable
Supporting national pride/government.-sponsored campaigns
Information on social banking activities/banking for the society
P Others (07):
Chairman's/MD's report
On-line banking facilities
Information on credit card business
Information on international banking facilities
Information on welfare of employees
Information on ISO 9001: 2000 certification
Graphical presentation of performance indicators

Appendix (2) Name of Banks in the Sample of the study

1. ARAB BANK
2. JORDAN ISLAMIC BANK
3. JORDAN KUWAIT BANK
4. JORDAN COMMERCIAL BANK
5. THE HOUSING BANK FOR TRADE AND FINANCE
6. ARAB JORDAN INVESTMENT BANK
7. JORDAN DUBAI ISLAMIC BANK
8. UNION BANK
9. ARAB BANKING CORPORATION /(JORDAN)
10. INVEST BANK
11. CAPITAL BANK OF JORDAN
12. CAIRO AMMAN BANK
13. BANK OF JORDAN
14. JORDAN NATIONAL BANK
15. SOCIETE GENERALE DE BANQUE - JORDANIE

ملخص الدراسة باللغة العربية

الحداد, خلدون. الإفصاح الاختياري وحوكمة الشركات بالتطبيق على البنوك المدرجة في بورصة عمان, . رسالة ماجستير, جامعة اليرموك. 2012م.

(المشرف: أ.د. ميشيل سويدان).

هدفت هذه الدراسة إلى التعرف على مستوى الإفصاح الاختياري, وخصائص حوكمة الشركات التي من شأنها أن تؤثر على مستوى الإفصاح الاختياري في التقارير المالية السنوية للبنوك الأردنية المدرجة في بورصة عمان لسنة 2007-2010. خصائص حوكمة الشركات شملت: حجم مجلس الإدارة واستقلالية مجلس الإدارة والفصل بين منصب رئيس مجلس الإدارة والمدير التنفيذي و حجم مكتب التدقيق وربحية الشركة وتركيز رأس مال الشركة. خصائص أخرى تم دراستها ما يلي: حجم الشركة، الرافعة المالي للشركة، وعدد فروع البنك. لقياس مستوى الإفصاح الاختياري ، تم تطبيق مؤشر الإفصاح يحتوي على 80 بند من المعلومات تم تطبيقه على التقارير السنوية ل(15) بنك الأردني المدرج في بورصة عمان لسنة 2007-2010. وتم توضيف نموذج الانحدار المتعدد لدراسة تأثير المتغيرات المستقلة على سلوك المتغير التابع. وتبين من نتائج تلك الدراسة أنه في المتوسط 59.52% من البنود المدرجة في مؤشر الافصاح الاختياري تم الافصاح عنها. وبالإضافة إلى ذلك، أشارت النتائج إلى عدم وجود أي علاقة بين الافصاح الاختياري وحوكمة الشركات التي قاستها المتغيرات الستة المذكورة أعلاه. كما أظهرت النتائج أن هناك علاقات إيجابية ذات دلالة إحصائية بين مستوى الإفصاح الاختياري وحجم الشركة والرافعة المالية، وعدد فروع البنك.

الكلمات المفتاحية: حوكمة الشركات, الافصاح الاختياري, البنوك.